CALIFORNIA ENERGY COMMISSION
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January 16, 2015

Mr. Keith Casey
Vice President, Market & Infrastructure Development
California Independent System Operator
250 Outcropping Way
Folsom, CA 95630

Dear Mr. Casey:

The Energy Commission will soon consider adoption of the 2014 Integrated Energy Policy Report (IEPR) Update which includes discussion of overall policies on transmission system development linked to renewable resource integration. The Commission held 2014 IEPR Update workshops on August 5 and November 24, 2014 in which a number of stakeholders provided comments[1]. Several stakeholders referenced proposals to increase the capacity of planned transmission projects beyond current system needs to accommodate longer-term electricity demand growth and/or connect new generation development for the future (i.e., "upsizing" or "right-sizing"). More specifically, one of the IEPR stakeholders, the Duke-American Transmission Company, is proposing to increase the Western Area Power Administration's 230 kV San Luis Transmission Project proposal to 500 kV and add approximately 1,200 MW of capacity rights for the California Independent System Operator (CAISO). In addition, this project has the potential for interconnecting future renewable resource generation, primarily solar, in the San Joaquin Valley that could require additional capacity to deliver the renewable generation to northern California load centers.

The Energy Commission supports right-sizing as a policy intended to maximize project value and minimize the financial and environmental impact associated with building new transmission capacity. The issue was first identified in the 2011 IEPR proceeding where the Energy Commission considered ways to make better use of the existing grid while anticipating future needs. Right-sizing would also maximize the value of land associated with already necessary transmission investment while avoiding future costlier upgrades to accommodate additional needed development (e.g., reliability, renewable, economic, public policy-driven transmission projects) (2011 IEPR, p. 38). There are also environmental benefits, such as minimizing the biological resource impacts of ground disturbance, when transmission towers sized to accommodate future capacity needs are built during the initial project construction phase.

[1] http://www.energy.ca.gov/2014_energypolicy/documents/2014-08-05_workshop/comments/
http://www.energy.ca.gov/2014_energypolicy/documents/2014-11-24_workshop/comments/

The Energy Commission recognizes that CAISO already takes right-sizing into consideration as part of its transmission planning process.[2] One of the objectives in the selection process is to appropriately size the transmission elements to reflect future generation interconnection and/or facilitate meeting renewable integration operational requirements. The Energy Commission is confident that the CAISO transmission planning processes will provide the necessary power flow studies, including evaluation of optimal transmission project sizes, for thoroughly considering the benefits along with system needs and user costs associated with the San Luis Transmission Project proposal. We know that CAISO will continue analyzing current as well as future needs for transmission projects of all sizes supporting renewable energy development and system reliability in the Central Valley. The power flow studies and related analyses are essential in determining which infrastructure investments will be most needed for securing California's energy future, strengthening the economy and protecting the environment.

The Energy Commission is committed to continued collaboration with CAISO and the California Public Utilities Commission through alignment and coordination of the electricity infrastructure planning processes. The Energy Commission also recognizes the need for continued interagency and stakeholder dialogue to promote transparency, leading to better informed policy development and investment decisions.

We look forward to continuing work with CAISO as California reaches for higher levels of renewable energy development in conjunction with its greenhouse gas reduction and climate change goals while ensuring electricity system reliability.

Sincerely,

ROBERT B. WEISENMILLER
Chair

KAREN DOUGLAS
Commissioner

cc: Steve Berberich, CAISO
Karen Edson, CAISO
Michael Picker, CPUC
Robert Oglesby, CEC

[2] In 2010, the CAISO filed its renewable energy transmission planning process (RETPP) with FERC. The purpose of the RETPP was to enhance the existing transmission planning and generation interconnection processes to promote the development of infrastructure needed to achieve the state's 33 percent renewable portfolio standard (RPS) by 2020. Based on the RETPP and subsequent revisions to the transmission planning process, the CAISO selects and ranks transmission elements for purposes of integrating renewable generation.